

THE WEEKLY PORTLAND SENTINEL.

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THE UNION—IT MUST BE PRESERVED.

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Governor's Message.

Fellow Citizens of the Senate and House of Representatives:

The people, with whom is the sole sovereignty of the State, have committed to you, for the fifth biennial period under the existing Constitution, the legislative authority of the Commonwealth. Upon this first annual day of the new year you assume the great function thus assigned to you, and enter upon the performance of your important duties.

Power of government, delegated by the people of free States to chosen Representatives, whether Legislative, Judicial or Executive, are sacred trusts. The people who honor, by such proofs of confidence, those whom they select for employment in public functions, have a clear right to expect from them fidelity, zeal, and unremitting diligence in the promotion of the public good. Having confidence, by election, of the people of government to citizens of their choice, they return to their respective vocations trusting confidently that all public interests and public rights will be diligently promoted and faithfully guarded, and that each individual will be fully protected by equal laws and an impartial administration, while contributing, in his sphere, to the general good by private efforts. How weighty the obligation which such confidence must impose on right-minded men! How deep and earnest the solicitude which all true-hearted representatives must feel, that neither by remissness, nor by indifference, nor by abuse the just expectations of a generous people may be disappointed.

No extraordinary changes in the condition of the State have occurred during the past year. Private and public affairs have gradually recovered from the depressing effects of financial revulsion and official delinquency. Health has invigorated and sustained the energies of industry. The labors of the field, though frustrated in several counties by an untimely frost, have, nevertheless, been rewarded by a harvest fully equal, in the State at large, to those of ordinary years. In the mining, manufacturing, and commercial, as well as in agricultural pursuits, improved machinery and processes, augmented capital, and increased numbers of laborers, have yielded proportionally increased returns. Institutions of Religion, Education, and Charity, whether organized by the voluntary zeal of individuals or the wise providence of the State, have contributed, in full measure, to improvement, melioration and progress. Solid growth, substantial prosperity, and social order, distinguish the condition of the State and its people, and demand grateful acknowledgments to the Supreme Disposer of events, whose blessing alone gives rise to the results of human labor and human wisdom.

The sixth general valuation of real property has taken place during the past year, and will, naturally, direct your attention to our material resources as thus exhibited, and their relations to the general condition of the State.

The theory of taxation, settled by the Constitution and sanctioned by general approval, requires that all property of whatever description, shall contribute to necessary public expenses in exact proportion to value. The exceptions to the practical application of the rule, admitted by the Constitution, and by law, are of properties belonging to individuals not exceeding fifty dollars in value, and the properties belonging to the counties, the State, and the Union, or held and used exclusively under public authority, for educational, religious and charitable purposes.

In order to give practical effect to the intention of the Constitution, provision has been made by law for periodic valuations. All lands and town lots whatever, subject to taxation, are required to be valued once in six years; while lands recently become taxable, being for the most part lands sold to the Federal Government or the State, together with all non-exempt personal property, must be valued annually.

There is a provision directed to be made at the true value in money, will exhibit, if the law be intelligently and faithfully executed, the progressive increase or diminution of wealth in the State, and in each locality, with approximate correctness.

Some deductions and some additions must be made on account of that property which is exempted from taxation, and of that which, through the negligence of assessors, or in spite of their vigilance, will, under every system of taxation, escape just contribution. Some additions must also be made to the official appraisements, on account of the disparity which is always found to exist between the average assessment and the average market value. It is to be remembered, also, that the valuation must be effected necessarily by the general circumstances of the country. In a time of extraordinary apparent prosperity and general expansion, valuations may be too high; and in a time of revulsion and great depression will almost certainly be too low. With the corrections suggested by these considerations, the valuations of each year, and of every sixth year, will supply the means of ascertaining, with some reasonable approximation to accuracy, the actual amount of property within the State.

Nearer approaches to absolute exactness will doubtless be constantly made, as experience shall suggest more perfect legislation, and clearer appreciation of the duties which it shall secure more complete and faithful listings and appraisements. Every citizen and every assessor should bear in mind that the assessment of property at its true value does not increase the amount of taxes to be paid by proprietors. If the aggregate amount of property is augmented by correct assessment, the total taxation need not be affected, for the rates may be diminished. Correct assessments, at real value, will alone secure the equitable apportionment of public burdens among the people. Whoever, therefore, causes his property to be listed at less than actual value, evades his just share of public contribution, and unjustly increases the proportions of his fellow-citizens.

A succinct account of the various systems of taxation, adopted in this State, and the valuations made, will illustrate these observations, and enable you the better to understand our present condition.

For many years no provision for general valuation constituted part of the revenue system of Ohio. All lands were assessed at first, second or third rate, and taxes for the support of the State government were raised by assessments according to rate, varying, at first, from twenty to sixty cents, and at last, from twenty-five to one hundred and fifty cents on each hundred acres. The assessments were fixed by legislative enactment,

without reference to the different values of different tracts of the same rate.

Taxes for county and township purposes were levied on town lots and buildings according to the appraised value, and on a few specified classes of animals, valued at certain rates per head, by law, without appraisal.

That this system was inconvenient and inequitable is very manifest. The assessments of taxes for State and County purposes, on different descriptions of property, was productive of no little embarrassment and difficulty; while the assessments according to rates, and not according to value, resulted in great and onerous inequality which became more and more conspicuous and vexatious with the progressive but very unequal increase in the value of lands. In 1834, the taxes levied for State purposes in Hamilton county amounted to \$1,080, while Athens, with less than one thirtieth in value of the real property in Hamilton, paid taxes of the same description to the amount of \$2,142.

It was not until 1835, however, that this system of taxation was abandoned. In that year, distinguished by our annals by the co-incident adoption of practical and efficient measures for common school education, internal improvement by canals, and taxation according to value—provision was first made, by legislative enactment, for the valuation of real property at its true value in money. The amount of personal property actually valued, however, was still small. Merchants and brokers were arranged in certain classes by the assessor, according to class, without reference to the amount of capital actually employed by different members of the same class. The value of the animals subjected to taxation was fixed by the legislature, without appraisal, and the list of exempted property was very large, including, not only real property used for educational, religious and charitable purposes, but mills and factories almost or quite without exception.

It will be seen, therefore, that the act of 1835 initiated, rather than established, the rule of valuation and taxation according to value. But this was no small merit, and it was enhanced by the introduction of a uniform system of levies for all purposes, both State and local, and of a provision for the equalization of valuations as between individuals, by County Boards, and as between Counties, by a State Board of Equalization. Both, in substance, still make parts of our legislative system.

It will be admitted, of course, that the valuation directed and made under the act of 1835 affords no satisfactory measure of the actual wealth of the State at that time. It has, however, some claim to attention even in that view, and it is a higher interest as the practical result of the first attempt to ascertain, however imperfectly, a true basis for the equitable apportionment of public burdens among the citizens. The whole number of acres subject to taxation, returned by the assessors was 15,143,309; the average value per acre, as equalized by the Board of Equalization, was \$3.47; the total value of lands was \$52,353,829; the value of town lots was \$29,749,441; the value of all lands and town lots was \$82,103,270.

Under the act of 1835 fixed no period or second general valuation. The appraisement made under it was to remain unaltered until further legislation. The county assessors, however, were required to ascertain in the spring of each year, what land had become liable to taxation during the preceding year, and what new permanent improvements had been made by structures on lands. The value of this land and these improvements, annually ascertained by the assessor, together with that of all taxable personal property, computed according to arbitrary rates fixed by law, added annually to the equalized value of the real property, was to constitute the Grand List, and form the basis of taxation for the year.

In 1836, the valuation permanently settled by the Board of Equalization, with the valuation in the spring of lands recently become taxable, of new improvements, and of personally constituted the first Grand List under the act, upon which were to be assessed the necessary levies for State, county and township purposes. The value of lands was \$52,353,829; the value of town lots and personal property was \$18,748,696. The total valuation was \$71,102,525.

Important changes in the laws relating to taxation were introduced in 1831. The act of that year enlarged very considerably the descriptions of taxable property; reduced the list of exemptions, and extended the application of the principle of appraisement and proportioned contribution. It did not disturb, however, the valuation of real property equalized in 1835, and it still retained, in some of its applications, the principle of arbitrary valuation by the legislature.

At length, after a lapse of nine years, a re-valuation of all real property was directed by the legislature in 1844; and made the same year, and was equalized in 1845. The property re-valued consisted of the descriptions made taxable by the act of 1831; for the act directing the re-valuation had made no change in the subjects of taxation.

The result exhibited a striking increase. The equalized value of the lands and town lots was \$73,339,832. The Grand List of 1845, embracing this valuation, increased by the usual spring valuations, amounting, exclusive of four counties, who returned had not been received, to \$95,297,266. In nine years the value of taxable property had increased \$23,193,889.

A third valuation was made in 1840, and was equalized in 1841. The subjects of valuation were still defined by the act of 1831. The equalized valuation was \$99,154,745. The Grand List for 1841, embracing this valuation and the additions for real estate and personally property, made in the spring of that year, was \$128,353,637. The increase in five years had been \$32,426,961. A thorough revision of the laws concerning taxation took place in 1846. Important additions were made to the descriptions of taxable property; exemptions were restricted and defined with greater precision; rules of appraisal were prescribed with a view to ensure a closer equalization of valuation to value; the principle of actual appraisement was for the first time applied to all objects of taxation to which, in the nature of things, it was applicable; clear directions were given for the annual listing and valuation of lands becoming taxable for the first time, of improvements, and of all personal property, new valuation of all real property was directed, and provision made for future valuations in every sixth year.

The first general valuation required by this act, being the fourth in the whole series, was made in 1846, and was equalized the same year. The influence of the new provisions of the new law for the first time appeared, which for the first time approx-

imated, though still remotely, the actual value of the real property in the State.—The value of that description of property, as equalized, was \$334,405,804.

The Grand List of 1847, embracing this equalized valuation, the spring valuation of personal property amounting to \$83,964,430, and the other usual spring valuations, exhibited an aggregate of \$410,763,160. The increase in six years had been almost incredible. It was \$381,409,303.

Before the time for the second valuation under the act of 1846 had arrived, a new Constitution had been adopted. The principle of that act, extended in its application to all property whatever, with some specific exemptions, was now incorporated into the fundamental law; and the first General Assembly under the new Constitution provided for a general valuation and equalization of real property in 1853, and every sixth year thereafter. In pursuance of this act, the fifth general valuation took place and was equalized in 1853. The aggregate of the equalized valuation was \$558,725,343. The personal property listed in the following spring was valued at \$397,061,573. The Grand List for 1854, including with these values those of the lands and new improvements listed in the spring, was \$956,292,933. The increase in seven years had been again startling. It was \$456,168,322.

The appraised, now more closely approached the real value of property, and the rapid augmentation of the list could be in the future expected.

The sixth valuation took place during the past year, under an act of the last General Assembly, and its equalization is not yet completed. According to the returns made by the County Auditors, under the act of April last, this valuation, embracing the value of real property, was \$1,143,390, the average value of each acre, \$17.43, and the total value of the whole real property \$641,918,151. The list of personal property included in the spring valuations, are not yet made. Should they show an increase during the year prior to that of the real property during six years, the amount will not be less than \$227,000,000; and the Grand aggregate, assuming that the total valuation of real property will not be reduced by equalization, will be about \$900,000,000. The increase for six years will be about \$333,000,000.

The Grand List of 1860 will, doubtless show, with reasonable accuracy, the true value of taxable property in the State.—Returns of exempt property from all the counties, except Hamilton and Fayette, exhibit an aggregate of \$10,570,835. These returns are doubtless imperfect. The real amount or this description of property, in all the counties, including chertle, does not, probably, fall much short of \$30,000,000.—The Commissioner of Statistics, basing his opinion on reports of actual valuations, estimates the entire property in the State at \$1,050,000,000.

The population of the State is now about two millions and a half. Such a population, grown up from the twenty five thousand of sixty years ago, educated, energetic and enterprising, and possessed of such a mass of material resources, presents a striking picture of progress and power.

I venture to suggest the expediency of directing the general valuations of real estate, after the next, to be made once in five years; so that the results obtained under State authority may be easily compared with those obtained under Federal authority; and while the results obtained by the general valuation in the intermediate years, and the annual estimates, will supply the means of determining the rate of growth and progress each year during the interval between those years.

The amount of debt of whatever description, State, corporate, commercial and individual, is now estimated at \$24,000,000; but of these not less, probably, than one third, would be cancelled by payment of other debts embraced in the same aggregate. The whole existing debt, constituting a real charge upon the whole existing property, hardly, if at all, exceeds \$160,000,000; about one sixth of its value. If this sum be compared, not merely with the entire property, but with the entire products of the State, which according to my estimate in 1858, amounted in 1857 to \$261,867,500; and doubtless exceeded that sum in 1858, or with the probable net products after deducting the consumption, direct or indirect, of the people, the gratification afforded by the spectacle of our general property, will not be sensibly abated.

While the review of the progressive development of our revenue system and of our material resources, must necessarily inspire a just confidence in the physical energies and financial strength of our great Commonwealth, it will also serve, I trust, the humbler purpose of contributing to a clearer understanding of the relations of taxation and the necessity of the State, which according to my estimate in 1858, amounted in 1857 to \$261,867,500; and doubtless exceeded that sum in 1858, or with the probable net products after deducting the consumption, direct or indirect, of the people, the gratification afforded by the spectacle of our general property, will not be sensibly abated.

The fundamental principle of our revenue system, that all property not exempted upon overriding considerations of policy, shall contribute to necessary public expenses in just proportion to value, is now firmly established in the convictions of the people, and insists on its uniform and universal application. If there be any description of property which has hitherto escaped just contribution, the Legislature representing the people will not hesitate to subject it to the operation of the general principle.

It is a great merit of the system that it is easily understood, and that the result of a given rate of assessment cannot materially deceive expectation. As a Grand List supplies the basis of revenue, and as the necessary means to meet all State, county and municipal expenses are provided by assessments for State purposes on the entire list and for local purposes on the property listed within the respective localities, legislative adjustment of levies to the public needs, or of appropriations to levies can never be difficult. The rates of levy being fixed, the revenue for the years intervening between general valuations can always be predicted with reasonable certainty. The equalized valuations are a new valuation, will, of course, exhibit the same aggregate, increased or diminished only by the increase or diminution of the annual valuations. The Grand List of no year, except immediately after the general valuation, or in consequence of some legislative action, the results of which the Legislature must of course know, can differ widely from that of the preceding year.

The General Assembly convened in January, has, therefore, always at hand the means of ascertaining, with substantial accuracy, the revenues of that and the next fiscal year. Levies already made on the Grand List of the preceding year will produce the former, and levies on the grand list of rates fixed or sanctioned by the Legislature itself will produce the latter. With a given basis and given rates it is easy to compute revenue.

With these observations it seems proper to submit to you a suggestion more than once addressed to your predecessors;—that it is indispensable to every sound financial system that appropriations be limited by revenue, and expenditures by appropriations. The arrangements which have sometimes embraced our finances may be traced, almost invariably, in the absence of crime, to a want of this salutary principle. Nothing but an overruling emergency can justify appropriations. When so justified, the appropriations in the former case should be as promptly reported to the Legislature for its judgment and sanction.

I embrace this occasion to suggest the expediency of requiring, under suitable penalties, that all officers having charge of works or institutions to state distinctly in connection with each annual report, whether any debts, beyond appropriations, were outstanding at the close of the year, and, if any, their precise nature and amount. For all such debts the officers contracting them are, in the absence of emergency, personally responsible, and their payment, without express legislative sanction, should be strictly prohibited.

In this connection I also renew my recommendation of an appropriation for each year of a sum sufficient to provide against unforeseen emergencies, subject only to the warrant of the Governor, to be drawn on by the Legislature, and to be expended only requiring extraordinary expenditures.

The public works would likewise be promoted in my judgment, if the several officers in the Executive Department were organized as an Executive Council, and required to meet from time to time, and whenever convened by the Governor, for consultation and action in regard to public interests.

The sanction of such a Council to the drafts on the contingent appropriation just proposed, would constitute an ample guaranty against impropriety and abuse.

The whole amount of receipts into the treasury during the last year, was \$3,520,154 and the balance from the preceding year was \$226,118. The total sum subject to disbursement in 1859, was \$3,746,272.

Of this sum \$22,000 was realized from drafts, in anticipation of the revenue of 1860; \$2,937,733 were received from levies on the Grand List of 1858, of one mill on the dollar for Common Schools, one-tenth of a mill for School Libraries, nine-tenths of a mill for the Sinking Fund, seven-twentieths for reimbursement of Temporary Loan, and seven-tenths for general expenses of State Government. These levies, amounting in the aggregate to three mills and eleven twentieths on a dollar, assessed upon the taxable valuation of \$840,800,031, exhibited by the Grand List of 1858 would have produced, if fully collected \$3,685,840. The collection between this sum and the revenue actually received—about forty-five thousand dollars—is attributed to costs of collection, variations between delinquencies unpaid and delinquencies collected, and errors in assessment.

The principal source of revenue, other than levies, are Tolls and Water-rents on navigation, and the proceeds of the State Revenue; Proceeds of sales of lands; Conveyance labor; and Canal, Turnpike and Railroad Dividends. Of receipts from these and other sources besides levies, some, placed in revenue, cannot properly be considered as such. Proceeds of overwork of convicts, for example, and collections on old claims, and advances from contractors of Executive Officers are not properly revenue; but either simple deposits, or means made money, or mere transfers from one account to another. It is to be observed, moreover, that more than the whole realized from all sources, except levies, is either absorbed by the expenses of the Public Works, and the Penitentiary, or specially appropriated to the Sinking Fund, or the payment of interest and principal of the Public Debt.

For the annual expenses of the State in Education, for Benevolent Institutions, and for all departments of the State Government, no substantial reliance can be placed on any other sources of revenue than the annual levies.

The whole amount of disbursements during 1859, upon all accounts, was \$3,552,394, and the balance in the Treasury at its close was \$193,276.

A more particular review of the several branches of collection and disbursement will present, in a still clearer light, the financial transactions of the year. For the support of the State Government and Institutions there were collected during the year, from levies on the Grand List, the sum of \$603,647—Receipts from licenses and auction duties; from the Penitentiary; from taxes on banks and from claims collected, together with the balance at the close of 1858, increased this sum to \$884,107. From this sum several amounts, not properly constituting revenue, were deducted, leaving the true sum for disbursement \$368,750. Of this there was disbursed during the year \$732,885. But the receipts did not exactly represent revenue, so neither did the disbursements precisely represent expenditures. For example the sum of \$63,400 was charged as disbursed, when the real transaction was the placing of old claims, and the balance of the year of \$90,500 was similarly charged, when the whole amount was paid, not for general purposes, but on account of Public Works, under the direction of your predecessors.

The actual disbursements for the Executive, Legislative and Judicial Departments, for the Benevolent and reformatory State Institutions, including the Penitentiary were, therefore, \$626,838. The balance remaining was \$101,917.

For the expenses of the Public Works there was received, from tolls and water rents on the Ohio Canal, \$71,442; on the Erie Canal, \$21,000; on the Canal and the Muskingum Improvement, \$18,274; on the Hocking Canal, \$17,301; on the Walondah Canal, \$4,751; on the Western Reserve and Maumee Road, \$3,181; on the National Road, \$5,551; from sales of canal lands, \$616; and from other sources, \$9,391; in all, \$246,781. The disbursements were \$366,939 dollars. The apparent excess of outlay over income was, therefore, \$90,200 dollars and this amount was paid from the General Revenue, as has just been stated. Of this sum, however, \$4,084 dollars was expended in payment for the Lewistown Reformatory, and for other special purposes, outside of the proper repairs of the year.

The real excess of cost over receipt was \$170 dollars.

On the grand list, 1,245,707 dollars.—There were also collected on the grand list for schools, but out of the levy for Sinking Fund, 153,695,069 dollars. This sum was the interest on the Irredeemable Debt, created by the appropriation of the proceeds of the school lands to general State purposes. The two sums, with the balance from the preceding year, formed an aggregate, for school purposes, of 1,418,647 dollars, of which were disbursed 1,355,938 dollars, leaving a balance of \$52,719 dollars.

The amount collected for School Libraries, already stated, with the balance for the preceding year, was \$9,173 dollars. The amount disbursed was 79,579 dollars, leaving a balance of 593 dollars.

For payment of debt and interest, there was collected from Levies, 1,039,124 dollars, which 740,970 dollars were for the general purposes of the Sinking Fund, and 298,154 dollars for the reimbursement of the Temporary Loan. There were also received for the Sinking Fund, from Surplus Revenue deposited with counties, from sales of School lands, from Canal, Turnpike and Railroad dividends, and from a few other comparatively unimportant sources, 145,953 dollars; and there were disbursed, for the Treasury, of money drawn for the payment of interest, 28,112 dollars. These sums, with the balance of 67,020 dollars from 1858, amounted to 1,270,328 dollars, which was the amount applicable to Sinking Fund purposes in 1859. Of this amount, 883,070 dollars were used to pay interest on foreign debt; 18,216 dollars on the domestic debt; 153,809 dollars on the Irredeemable debt, 12,759 dollars were applied in payment of the expenses of the Fund Commissioners, including the cost of a vault for their office; 1,330 dollars in discharge of a claim ordered to be paid by the last General Assembly; and 62,538 dollars in purchase of bonds of the temporary loan, and other bonds to be used in its payment. The aggregate expenditure was 1,141,654 dollars, and a balance was left in the Treasury of 128,554 dollars.

It will be seen that the revenue provided by law for the payment of interest on the Temporary Loan, not including the Temporary Debt, was insufficient for that purpose. The amount wanting was about \$114,000. There being, however, in the treasury a large sum belonging to the Sinking Fund, derived from the levy for the Temporary Loan, but not needed for its payment, it was decided that it was thought better to supply this deficit amount from that source than to resort to the power to impose additional levies, voted by the last General Assembly in the Auditor of State. The public interest was perhaps best consulted in this action; but it involved a department from that provision of the Temporary Loan Act, which requires the proceeds of the levy for its payment to be absolutely reserved for all other obligations, and it may well be questioned whether any advantage gained by such departure ought to prevail over the considerations which elicit strict compliance with the law. It is obvious, however, that the additional levies necessary to provide for the interest of the debt should have been proposed by the General Assembly, by itself, fully advised as it was to the amount of interest and the inadequacy of the provision made for it. The responsibility of the necessary taxation should have been assumed by the Legislature instead of being imposed upon the Auditor.

A tabular statement appended to this communication, and numbered I, exposes at one view the number of acres of land on the Grand List, their value, the number of taxable town-lots and chatties, the several aggregates of State, county and local levies, and the rates of levy for State purposes in each of the last eight years. It will be seen that the average rate of taxation in the first half of that time exceeded considerably that in the last half; while the aggregate revenues of the last half exceeded that of the first. This result was produced by the larger average basis of taxation in the last period. More than the whole excess of levies was for school purposes and the payment of debts contracted in the first period.

Another tabular statement, numbered II, will show the yearly disbursements for Legislative, Judicial and Executive purposes, for the expenses of the Benevolent and Reformatory Institutions, and on account of the Public Works, for three periods of four years each—the first immediately preceding, and the two others immediately following the adoption of the existing Constitution.—It will be seen upon inspection of it, that the expenses were largely increased after the adoption of the Constitution; but that they have been considerably less during the third than during the second of these periods. The average yearly expenditures from 1845 to 1851 were \$738,715; from 1852 to 1855 inclusive, adding to the apparent amount the unauthorized debts contracted within those years and subsequently paid, \$1,095,824; from 1856 to 1859 inclusive, deducting from apparent amounts payments on account of debts previously contracted, \$995,533. When it is remembered that during the last period the Public Works have become a charge upon the General Revenue, that the probable and necessary additions have been made to the list of judges; that the Comptroller's office has been created; that four sessions of the Legislature have been held; that a number of salaries, especially of judges and officers on the Board of Public Works have been increased, and other new expenditures have been directed by the Legislature, may it not be hoped that the results of those four years will be accepted as evidence at least of a sincere desire and endeavor, on the part of the Executive Officers, to perform impartially the duties the people?

Besides the advances from the Treasury for repairs of the Hocking Canal, which has been heretofore explained to the Legislature and will be again fully explained in this communication, I am aware of no expenditures beyond appropriations and no debt incurred without authority, during the last two biennial periods, which will embarrass the revenues, or oppress the revenues for future years.

Permit me now to invite your attention to some observations upon the Public Debt of the State. That debt, I need hardly repeat, is of two descriptions; the Reducible and the Irredeemable. The former represents loans from capitalists; the latter represents the proceeds of School Funds granted by Congress. The former may be reduced by payments; the latter must continue to increase as long as the proceeds of school lands are used and funded as now directed by law, and under the existing pledge of six percent to the purpose for which the School Lands were granted.

In January, 1846, after the completion of the Public Works, and after the abandonment of the policy of aid to Public Improvements by State subscriptions to the Stock

of Railroad, Canal and Turnpike Companies, the entire debt was \$18,251,170, of which Reducible Debt was 17,797,957 dollars, and the Irredeemable 453,213 dollars. From that time the Reducible Debt was gradually diminished, until the defalcation of the Temporary Loan, which was authorized by your predecessors and negotiated in 1838, and is reimbursable on the 1st July, 1860, and 1st March, 1861.

At the close of 1850 the entire debt was thus constituted: The Foreign Debt was \$13,621,857 20; the Domestic Debt, 275,385 dollars; making the whole Reducible Debt \$13,897,242 20; the Irredeemable Debt was 2,534,075 dollars 95 cents; and the Temporary Loan 700,000 dollars, making a total of 17,131,319 dollars 15 cents. From this amount may properly be deducted 278,154 dollars, already collected for part payment of the Temporary Loan, leaving a balance of 16,853,165 dollars 95 cents. The Public Debt has been reduced only by the sum of 2,353,630 dollars 85 cents. The sum received in the same time from Surplus Revenue, sales of lands, from the Public Works, and a few miscellaneous sources other than taxes, was \$687,337 dollars.—The greater part, of course, was applied in payment of interest, instead of reduction of principal.

Provisions of the new Constitution prohibited the increase and required the gradual extinction of the debt. An act of the last General Assembly was intended to secure that result. It stipulated that whenever any portion of the debt shall become payable, the issuing of new bonds to the amount sufficient to discharge it. Those new bonds are to be made payable in such instalment that the annual levy required by the Constitution will supply the means for the payment in full at maturity; and the act requires their payment accordingly, without renewal and without delay.

This plan, if persistently adhered to, will certainly extinguish the whole Reducible Debt; but the operation would require thirty-one years, and many circumstances may occur to suspend or frustrate its result. My own impression is, that the wishes of the people would be better satisfied by a provision for early payment and consequent relief from taxation or interest. Should your opinion be otherwise, you will do nothing, I trust, to impair, but everything to secure the certainty of payment within the time limited by the act.

On the first of July, 1851, if it be the pleasure of the State, \$413,225 dollars 27 cents of the debt may be paid. The contract of loan, however, does not impose the obligation of payment at that time. The whole duty of the State will be performed by punctual payment of interest, and such provision for the discharge of the principal as may be required by the interests and wishes of the people.

Whether it be thought expedient or not to adopt the scheme of payment proposed by the act of last year, some change will probably be found necessary in the description of bonds to be issued. The act as originally framed, and as it now stands, provides for a uniform issue, contained provisions exempting from taxation the bonds to be issued under it, and also a judicious discrimination in favor of loan takers within the State. It was amended in the House by striking out the provisions for exemption and in that shape became a law. The discrimination in favor of domestic bondholders was thus converted into a discrimination against them; for under the law as it now stands, taxation of bonds will not reach foreign holders. I suggest the expediency, therefore, of authorizing the Commissioners of the Sinking Fund, if they shall be of opinion that the interest of the State require the payment of the debt upon the accrual of the right of payment, to provide for it either by new bonds, or by bonds of interest not exceeding five per cent, reimbursable at pleasure, after a term not exceeding ten years, or by bonds issued as contemplated by the act, and bearing interest not exceeding ten per cent. In either case, the bonds should bear upon their face a stipulation expressing the character, as subject or not subject to reduction by taxation or otherwise. If the bonds of the State are to be taxed at all, there is far more reason for their taxation in the hands of foreign than of the domestic holder. Neither should be taxed, or both. Both should be taxed, at all, not by uncertain assessments, but by resorting from payments of interest, and equal to the average taxes for all purposes on other property of equal value. If it be objected to this mode of taxation, that it takes back with one hand the interest paid with the other, and is therefore equivalent to a mere loan to pay the full rate stipulated, the answer is obvious, that the same objection applies, just as forcibly, to the mode of taxing bonds given for money, and to the State. It is very serious, and, in my judgment, an insuperable objection, unless the right of taxation be reserved on the face of the bonds when issued. Whether bonds bearing such reservations will find takers, can only be determined by trial. That they will not, more than the probable and necessary will, it is certain that the taxation of State bonds is alike impolitic and unjust.

I recommend, therefore, such legislation as will give the suggested discretion to the Commissioners, fix beyond inability to alteration the rate of interest, and secure the control, reduction and final payment of the debt, at the earliest time and in the most economical mode.

The two great lines of canal, including the Western and Erie, with their feeders, cost 12,110,120 dollars; the other canals, with the Muskingum Improvement, and the Western Reserve and Maumee Road, cost 3,487,119 dollars, and the amount subscribed to the turnpike and Railroad Companies, 3,235,693 dollars, making an aggregate cost of 18,893,932 dollars.

For a number of years, the net revenues derived from these works, though never sufficient to pay the cost of the investment, were very considerable. The competition of Railroad, however, soon deprived them of the great part of the business on which reliance had been placed for increase, and at length a marked decline took place. Within the last few years the outlay for repairs and improvements has exceeded the income. The real deficiency last year, after deducting the extraordinary disbursements directed by the Legislature, was not so large; but there is little room for hope that it will be less hereafter, while there is much ground for apprehension that it will be greater. At will certainly be greater, unless the introduction of steam navigation, or other circumstances now unforeseen, shall enable the canals to sustain, at less disadvantage, the Railroad competition. The cost of these works, however, has doubtless been repaid to the State in the increased value of lands in the counties through which they extend. And

this consideration may well abate the censures which the debt contracted for their construction is apt to provoke; while it suggests caution and prudence in dealing with interests so important as are involved in their disposal.

I have heretofore expressed the opinion that they should not be retained under State management, if a sale can be effected at a reasonable price, and under such restrictions and guarantees as will secure to the people the benefit of transportation originally contemplated. That opinion remains unchanged. With economical management, in principle sufficiently productive to warrant the investment of a considerable sum in their purchase, the reduction of the debt by their sale, amount, and relief from taxation for interest, will prevent any loss or inconvenience to the people of the canal system.

The State stocks in canal and railroad bonds should not be included in any sale, unless the interest on the price will equal the revenue now derived from them. I recommend that authority be given to the Governor to appoint an agent with ample powers, in which the State holds stock, the provisions of these investments would, I have no doubt, be greatly enhanced by such an investigation.

Should you regard a sale of the Canals as inexpedient, and in any case so long as they remain under State management, the propriety of strict compliance in their administration with the directions of the Constitution will not be questioned. The separation of them into several divisions, and the assignment of each division to the control of a single member of the Board of Public Works, independent, in most important respects of the Governor, seems to me not only inexpedient, but of uncertain constitutional validity. I recommend, therefore, such modifications of the act of the last General Assembly on this subject as will secure to the whole Board the control of the Public Works, which the Constitution commits to their superintendence. I also recommend the restriction of that provision of the act of 1854, by which the Governor, by the advice and consent of the Senate, is authorized to appoint collectors and inspectors, and I renew the recommendation addressed to your predecessors, for more stringent provisions regulating the settlement of accounts and repair and other expenses on the canals. Under the law, as it now stands, there is too much room for abuse, to the serious prejudice of the public interest.

During the year 1858, as was fully explained to your predecessors, the sum of 16,333 dollars was advanced by the Treasurer of State, upon my advice, concurring with that of the other Executive Officers, for repairs of the Hocking Canal, greatly injured and seriously endangered by recent floods. The emergency did not permit delay, and as the Legislature had made no provision for extraordinary contingencies, an occasion seemed to have arisen in which public opinion should take the responsibility of providing the means necessary for the repair of the State from great loss, and the citizens dependent on the canal for transportation from great injury. The responsibility was taken; the means were provided by an advance from the Treasury, unquestionably the most economical mode; a larger amount than the sum advanced was added to the Treasury in domestic bondholders, who were repaid the sum, and the benefits of the navigation were secured to the people of the locality. I am still of the opinion that the money was prudently and properly advanced. A public officer who, in times of overruling emergency, will not take responsibilities clearly necessary to the public good, as little deserves to be called to account for his conduct on ordinary occasions and without necessity. It